



# Legislated Benefit Improvements

The following represents over a decade of legislation, both State and federal, that CalSTRS has actively pursued to improve benefits for members and their beneficiaries. Some of these proposals have taken two years for the Teachers' Retirement Board to carry through the legislative process. It has taken longer for federal proposals. The TRB has either sponsored, co-sponsored or supported other sponsors on these initiatives that significantly impact the level of benefits or benefit structure enabling CalSTRS to either enhance or provide a promised benefit. It should also be noted, some attempts to make significant changes to benefit levels or the funding structure have not been approved by the Governor.

## 2000

### *State*

- ◆ Expands earnings limit exemption for administrative positions; AB 141.
- ◆ Ad hoc increase to current benefit recipients; AB 429.\*
- ◆ Permits some state employees to elect CalSTRS coverage and authorizes certain state employees to convert educational leave to service credit; AB 649.
- ◆ Permits partial redeposits of withdrawn contributions by members and nonmember spouses; purchase of previously excluded service; naming of new spouse by a retired member with an unmodified allowance; trustee participation in Cash Balance Benefit Program; AB 820.
- ◆ Bases final compensation on highest 12 consecutive months with 25 years of credited service; AB 821.
- ◆ Establishes the Defined Benefit Supplement Program and redirects members contributions to program; AB 1509.
- ◆ Eliminates the post-retirement earnings limitation until 2008 for members who are retired for at

least one year and increases limitations for others; AB 1733.

- ◆ Waives the earnings limitation for members retiring before 7/1/00 for direct remedial education for grades 2-12; AB 1736.
- ◆ Establishes longevity bonus; AB 1933.
- ◆ Expands eligibility under Public Employees Medical and Hospital Care Act (PEMHCA) for part-time employees and requires CalSTRS to report on prescription drug and retiree health program; AB 2383.
- ◆ Permits portion of retirement allowance to be paid in lump sum; AB 2456.
- ◆ Expands compensation creditable to CalSTRS; AB 2700.
- ◆ Requires CalSTRS to pay Medicare premiums for eligible members; SB 1435.\*
- ◆ Extension of minimum allowance; SB 1505.
- ◆ Exempts members who retired on or before 1/1/2000 from earnings limitation if return to K-12 classroom; SB 1666.
- ◆ Permits some state employees to elect CalSTRS/CalPERS membership; SB 1694.

### *Federal*

- ◆ Elk Hills Naval Petroleum Reserve- \$36 million appropriated as the third installment from CalSTRS' share of the proceeds from the sale of the reserve.
- ◆ Congressional relief from the Medicare late enrollment penalty for the CalSTRS Medicare Part A premium payment program.

## 1999

### *State*

- ◆ Extended earnings limit waiver for all class-size reduction teachers; AB 335.\*
- ◆ Enacted program to comply with Internal Revenue Code Section 415; AB 819.\*

\*Legislation denoted with an asterisk are either sponsored or co-sponsored by CalSTRS.

- ◆ Encouraged U.S. Congress and President to exclude state and local employees from mandatory Social Security; AJR 9.\*
- ◆ Required to develop CalSTRS health care benefits; SB 159.\*
- ◆ Restored surviving spouse benefits eliminated due to remarriage; SB 437.
- ◆ Increased minimum allowance for career members; SB 713.\*

## *Federal*

- ◆ Elk Hills Naval Petroleum Reserve - \$36 million appropriated as the second installment from CalSTRS' share of the proceeds from the sale of the reserve.
- ◆ Mandatory Social Security for new hires. CalSTRS is actively involved in grassroots and national efforts to oppose the proposed solutions due to its overall impact to CalSTRS members.

## **1998**

### *State*

- ◆ Extended eligibility and eliminated the restriction on credit for unused sick leave; established a career bonus for members with 30 or more years of service; guaranteed funding stream for purchasing power protection payments; AB 1102.\*
- ◆ Incrementally increased the benefit factor from 2 percent at age 60 to 2.4 percent at age 63; AB 1150.\*
- ◆ Extended earnings exemption for class size reduction and the sunset date to January 1, 2005, for certain Medicare coverage; AB 2765.\*
- ◆ Reamortized the unfunded liability over 30 years; provided 65 percent of Elder Full Funding to pay for benefits; AB 2804.\*
- ◆ Authorized the TRB to study providing health care benefits to members and families; SB 1528.\*

- ◆ Established 100 percent financing Member Home Loan Program, as specified; SB 1945.\*
- ◆ Modified to SB-1027/1997 regarding the purchase of permissive and out-of-state service credit, as specified; Permitted the purchase of "nonqualified" service; SB 2126.\*
- ◆ Added Option 8 to allow for multiple option beneficiaries and modified existing options, as specified; SB 2047.\*
- ◆ Provided for the return to an unmodified allowance for certain members, as specified; SB 2224.

## *Federal*

- ◆ Elk Hills Naval Petroleum Reserve - \$36 million appropriated as the first installment from CalSTRS' share of the proceeds from the sale of the reserve.
- ◆ Mandatory Social Security for new hires. CalSTRS is actively involved in grassroots and national efforts to oppose the proposed solutions due to its overall impact to CalSTRS members.

- ◆ Implemented premium free Medicare Part A (Hospital Insurance) for individuals who may qualify under specified conditions as identified by the Social Security Administration; significant for nearly 400 individuals currently paying premiums in excess of \$300 each month.

## **1997**

### *State*

- ◆ Enacted earnings limit exemption for teachers participating in the class size reduction program; AB 18.\*
- ◆ Expanded disability benefits to victims of an unlawful act, as specified; SB 629.
- ◆ Extended the post-retirement earnings limit exemption (Golden Handshake); AB 686.

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◆ Increased purchasing power protection from 68.2 percent to 75 percent, as specified; SB 1026.

◆ Authorized members to redeposit contributions withdrawn by a nonmember spouse; and purchase additional service credit for out-of-state public school employment; SB 1027.\*

## *Federal*

◆ Elk Hills Naval Petroleum Reserve sold, and net proceeds to benefit 75 percent purchasing power protection; National Defense Authorization Act.

◆ President signed the Taxpayer Relief Act of 1997, which made permanent the present moratorium on the application of the nondiscrimination tax rules; made changes in procedures related to the application of the Simplified General Rule; allows for portability of permissive service credit under governmental pension plans; and other relief from the IRC Section 415 defined contribution limits.

## **1996**

### *State*

◆ Facilitated employers' option to offer the Cash Balance Plan to part-time employees; AB 2673.\*

◆ Eliminated the requirement for dependent children to maintain full-time student status to remain eligible for disability or family allowance under Coverage A; AB 3032.\*

◆ Federal compliance with the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA); SB 1877.

◆ 1992 settlement claim relating to interest payments on the Elder Full Funding appropriation of \$540,000; SB 2095.

## *Federal*

◆ President signed the National Defense Authorization Act, which granted California's claim for compensation for two school land sections known as the Elk Hills Naval Petroleum Reserve.

◆ Signed, amendment to Title 4 of the U.S. Code, which prevented California and other States from imposing a source tax on the payment of pension plans, as specified. ◆ President signed the Small Business Job Protection Act of 1996, which provided pension simplification for governmental plans, such as CalSTRS, and IRC Section 415 provisions.

## **1995**

### *State*

◆ Extended the post-retirement earnings limit exemption to certain members under specified conditions; AB 948.\*

◆ Established minimum standards for full-time employment for all classes of employees for credit-ing service; AB 1122.\*

◆ Established the Cash Balance Plan to be administered by STRS for part-time public school employees; AB 1298.\*

◆ Modified pre-retirement options elections for survivor benefits; AB 1441.\*

## **1994**

### *State*

◆ Repealed the administrative fee for processing a refund to a member; AB 2550.\*

◆ Required STRS employers to inform part-time teachers of their right to elect membership in STRS; AB 2554.\*

◆ Extended membership in STRS to part-time and substitute adult education teachers; AB 2647.

◆ Required STRS to offer a Tax Sheltered Annuity (TSA) program; AB 3064.\*

◆ Required STRS to offer a mid-career retirement planning information program; AB 3407.\*

◆ Allowed STRS to develop one or more deferred compensation plans; AB 3705.\*

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- ◆ Governor vetoed this initiative, which would have allowed STRS to offer health benefits to active and retired members; SB 192 .
- ◆ Reestablished the Golden Handshake additional 2 years service credit program through December 31, 1998; SB 858.\*

## *Federal*

- ◆ President signed USERRA, which allowed make-up pension accruals of returning military veterans, as specified.

## **1993**

### *State*

- ◆ Modified direct deposit process regarding benefit arrangements for members, as requested by members; AB 798.\*
- ◆ “Float Suit” settlement (\$8.9 million) that recovered investment earnings in the State’s Pooled Money Investment Account; SB 77.
- ◆ Allows salary preservation by using three non-consecutive years for determining final compensation; SB 698.\*
- ◆ Allows a retired member to change options, as specified; SB 754.
- ◆ Extends the CalPERS Long-Term Health Care Program to STRS members; SB 857.\*

## **1992**

### *State*

- ◆ Allows members to purchase service credit for time spent on approved family care leave; AB 2538\*
- ◆ Federal compliance that authorizes CalSTRS to make rollovers directly to another eligible retirement plan; AB 2721.\*
- ◆ *Betts* established a new survivor benefits and disability program for all new members, allowed persons already members of STRS to elect to

participate in the new program, and other changes to bring CalSTRS into federal compliance with the Older Workers’ Benefit Protection Act (OWBPA); SB 1884\*, SB 1885\* and SB 1886\*. Following are significant features:

- Members eligible for lifetime disability @ 50% of final comp
- Increased lump sum death payment from \$2,000 to \$5,000, or \$20,000 as appropriate, and included automatic index
- Automatic children’s benefit to age 21, if eligible
- Reduced offsets
- Eliminated remarriage penalty

## *Federal*

- ◆ Mandatory Social Security for public employees who are not members of a retirement system that provides a minimum level of retirement benefits; IRS regulations.
- ◆ President signed the Unemployment Compensation Amendments Act of 1992 to allow for rollovers.

## **1991**

### *State*

- ◆ Grants family care leave for up to four months, as specified; AB 77.
- ◆ Allowed for the purchase of time spent in the Persian Gulf; SB 1171.\*

## **1990**

### *State*

- ◆ Extended sunset date of the Golden Handshake Program to December 31, 1993, as specified, allowed disabled and inactive members to participate in the Dave Elder CalSTRS Home Loan Program, and allowed service credit for the time spent in the Persian Gulf; AB 2609.

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- ◆ Increased the post retirement earnings limit to \$15,000, adjusted annually according to the CCPI; AB 4048.
- ◆ Modified calculations used in post disability service retirement allowances for those members who retired after reinstatement from disability; AB 4284.\*
- ◆ Authorized CalSTRS to establish a loan program to assist with natural disaster situations; AB 53X.
- ◆ Memorialized Congress to establish a process by which STRS retirees could purchase the quarters needed to meet Medicare Part A eligibility; AJR 71.
- ◆ Added Options 6 and 7 settlements to allow a retiree return to the unmodified, as specified; SB 682.
- ◆ Elder STRS Full Funding Act - revised the annual General Fund contribution to a level that provides full funding of normal cost and provided amortization of the CalSTRS unfunded obligation; SB 1370.
- ◆ President signed the Older Workers Benefit Protection Act (OWBPA), which required CalSTRS to enact new disability benefit programs that do not discriminate on the basis of age.
- ◆ Equity Study appropriated funds to study the equity of benefits available under CalSTRS. The study was completed in 1991 and staff provided a report to the Legislature on the following inequities; SB 2469\*:
  - Family allowance discontinues when spouse remarries -*completed*
  - Refund of contributions to the surviving spouse of a deceased active member when the spouse remarries
  - Payment of allowances to dependent children age 18 to 22 - *completed*
  - Service credit for part-time service - *completed*

- Sick leave service credit on pre-retirement death of a member - *completed*
- Eligibility to elect the pre-retirement option is not the same as eligibility to retire
- Service retirement allowance formula for reinstated disabled member
- Allow beneficiary of deceased member to continue redepositing previously refunded contributions
- Payment of quarterly supplement following the death of a retired member
- Cost basis for purchase of service credit
- Eligibility for family allowance is different for reinstatement versus rehire
- Service credit under the reduced workload program
- Various other issues as identified in the Equity Study

## 1989

### State

- ◆ Federal compliance on IRC Section 415 “grandfather” benefit limitations; AB 50.\*
- ◆ Extends interest payments to option beneficiaries for late monthly allowance payments; SB 686.\*
- ◆ Modified post-retirement earnings limit from 50% to 100% of the change in the CCPI; SB 1039.
- ◆ Established a funding mechanism, Supplemental Benefit Maintenance Account (SBMA) to restore purchasing power of STRS benefits; SB 1407.
- ◆ Requires annual distribution of the proceeds of the SBMA at 68.2% of the original purchasing power to members and their beneficiaries to restore benefit levels; SB 1513.

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## 1988

### *State*

- ◆ Defined the initial effective date for purposes of applying post-retirement benefit increases when converting from disability to service retirement allowance; AB 2042.\*
- ◆ Authorized certain retirees of STRS to elect to purchase up to four years of military service credit; AB 3195.
- ◆ Established separate accounts for service credit, contributions and interest awarded a non-member spouse; SB 1190.
- ◆ Exemption from Probate Code to expedite death claim payments under certain conditions; SB 2080.\*
- ◆ Modified membership qualifications for substitutes and part-time employees; SB 2082.

### *Federal*

- ◆ President signed the Technical and Miscellaneous Revenue Act of 1988 (TAMRA), which modified limitations for Section 415(b) of the 1986 IRC for government plans.

## 1987

### *State*

- ◆ Extended sunset date for the Golden Handshake Program to June 30, 1990; AB 960.
- ◆ Authorizes concurrent retirement for CalSTRS members who move to employment covered by the Legislator's Retirement System, as specified; SB 990.\*